ALL TIER 1 Companies
Year: 1994
In Dollars Per Line Per Month

			OTHER RELATED SERVICES				
	SUBJECT TO SEPARATIONS	BASIC LOCAL LOOP	LOCAL OR INTRA-EXCH SWITCHING	DIRECTORY ASSISTANCE	PUBLISHED DIRECTORY	COIN COLLECTION & ADMIN	NON LOOP RELATED
TOTAL CUSTOMER OPERATIONS EXPENSE	7.13	2.07	0.02	0.87	0.21	0.09	3.87
Marketing	1.83						1.83
Directly Assigned	0.08						0.08
Allocated	1.74						1.74
Operator Services	1.31			0.87			0.44
Call Completion	0.29						0.29
Intercept	0.00						0.00
Directory Assistance	0.99			0.87			0.12
Other	0.00						0.00
Published Directory	0.45				0.21		
Classified	0.09						
TWX	-						
Alpha/Traffic	0.21				0.21		
Foreign	0.00						
CUSTOMER SERVICES	3.60	2.07	0.02			0.09	1.42
Category 1 (Business Office)	2.59	1.76				0.09	0.73
Local Business Office	2.24	1.76					0.47
Service Order Processing	1.20	1.09					0.11
Payment & Collection	0.57	0.31					0.26
Inquiry	0.54	0.35					0.18
Interexchange Carrier Office	0.26						0.26
Service Order Processing	0.12						0.12
Payment & Collection	0.08						0.08
Inquiry	0.03						0.03
Coin Collection and Administration	0.09					0.09	
Category 2 (Revenue Accounting)	0.63	0.31					0.32
Message Processing	0.05		0.02				0.03
Toll Ticket	0.03						0.03
Local Message	0.02		0.02				-
Other Billing & Collecting	0.55	0.31					0.24
MTS-Toll	0.24						0.24
Exchange, Semi, & DA	0.26	0.20					
Private Line	0.00						0.00
End User CL	0.04	0.03					
Local	0.01	0.01					
Carrier Access Billing	0.03						0.03
Category 3 (Other Customer Svcs)	0.38						0.38

ALL TIER 1 Companies
Year: 1995
In Dollars Per Line Per Month

	SUBJECT TO SEPARATIONS	BASIC LOCAL LOOP	OTHER RELATED SERVICES: LOCAL OR INTRA-EXCH SWITCHING	OTHER RELATED SERVICES: DIRECTORY ASSISTANCE	OTHER RELATED SERVICES: PUBLISHED DIRECTORY	OTHER RELATED SERVICES: COIN COLLECTION & ADMIN	NON LOOP RELATED
TOTAL CUSTOMER OPERATIONS EXPENSE	7.12	2.12	0.02	0.81	0.20	0.10	3.88
Marketing	1.96						1.96
Directly Assigned	0.11						0.11
Allocated	1.85						1.85
Operator Services	1.20			0.81			0.39
Call Completion	0.23						0.23
Intercept	0.00						0.00
Directory Assistance	0.93			0.81			0.12
Other	0.01						0.01
Published Directory	0.45				0.20		
Classified	0.09						
TWX	-						
Alpha/Traffic	0.20				0.20		
Foreign	0.00						
CUSTOMER SERVICES	3.58	2.12	0.02			0.10	1.35
Category 1 (Business Office)	2.64	1.81				0.10	0.73
Local Business Office	2.29	1.81					0.48
Service Order Processing	1.21	1.10					0.11
Payment & Collection	0.59	0.33					0.26
Inquiry	0.56	0.36					0.20
Interexchange Carrier Office	0.25						0.25
Service Order Processing	0.12						0.12
Payment & Collection	0.07						0.07
Inquiry	0.02						0.02
Coin Collection and Administration	0.10					0.10	
Category 2 (Revenue Accounting)	0.60	0.31					0.29
Message Processing	0.04		0.02				0.03
Toll Ticket	0.03						0.03
Local Message	0.02		0.02				-
Other Billing & Collecting	0.53	0.31					0.22
MTS-Toll	0.22						0.22
Exchange, Semi, & DA	0.26	0.21					
Private Line	0.00						0.00
End User CL	0.04	0.03					
Local	0.01	0.01					
Carrier Access Billing	0.02						0.02
Category 3 (Other Customer Svcs)	0.34						0.34

ALL TIER 1 Companies
Year: 1996
In Dollars Per Line Per Month

	SUBJECT TO SEPARATIONS	BASIC LOCAL LOOP	OTHER RELATED SERVICES: LOCAL OR INTRA-EXCH SWITCHING	DIRECTORY ASSISTANCE	PUBLISHED DIRECTORY	COIN COLLECTION & ADMIN	NON LOOP RELATED
TOTAL CUSTOMER OPERATIONS EXPENSE	6.57	1.99	0.01	0.69	0.16	0.09	3.63
Marketing	1.95						1.95
Directly Assigned	0.11						0.11
Allocated	1.84						1.84
Operator Services	1.06			0.69			0.36
Call Completion	0.24						0.24
Intercept	0.00						0.00
Directory Assistance	0.79			0.69			0.09
Other	0.00						0.00
Published Directory	0.34				0.16		
Classified	0.05						
TWX	-						
Alpha/Traffic	0.16				0.16		
Foreign	0.00						
CUSTOMER SERVICES	3.30	1.99	0.01			0.09	1.21
Category 1 (Business Office)	2.42	1.69				0.09	0.64
Local Business Office	2.13	1.69					0.43
Service Order Processing	1.19	1.06					0.13
Payment & Collection	0.52	0.30					0.22
Inquiry	0.47	0.31					0.16
Interexchange Carrier Office	0.21						0.21
Service Order Processing	0.12						0.12
Payment & Collection	0.04						0.04
Inquiry	0.02						0.02
Coin Collection and Administration	0.09					0.09	
Category 2 (Revenue Accounting)	0.55	0.29					0.26
Message Processing	0.04		0.01				0.03
Toll Ticket	0.03						0.03
Local Message	0.01		0.01				-
Other Billing & Collecting	0.48	0.29					0.19
MTS-Toll	0.19						0.19
Exchange, Semi, & DA	0.25	0.19					
Private Line	0.00						0.00
End User CL	0.04	0.04					
Local	(0.00)	(0.00)					
Carrier Access Billing	0.02						0.02
Category 3 (Other Customer Svcs)	0.33						0.33

ALL TIER 1 Companies
Year: 1997
In Dollars Per Line Per Month

	SUBJECT TO SEPARATIONS	BASIC LOCAL LOOP	OTHER RELATED SERVICES: LOCAL OR INTRA-EXCH SWITCHING	OTHER RELATED SERVICES: DIRECTORY ASSISTANCE	OTHER RELATED SERVICES: PUBLISHED DIRECTORY	OTHER RELATED SERVICES: COIN COLLECTION & ADMIN	NON LOOP RELATED
TOTAL CUSTOMER OPERATIONS EXPENSE	6.18	1.99	0.01	0.61	0.12	0.02	3.43
Marketing	2.09						2.09
Directly Assigned	0.13						0.13
Allocated	1.95						1.95
Operator Services	0.88			0.61			0.27
Call Completion	0.17						0.17
Intercept	0.00						0.00
Directory Assistance	0.69			0.61			0.08
Other	(0.00)						(0.00)
Published Directory	0.29				0.12		
Classified	0.04						
TWX	-						
Alpha/Traffic	0.12				0.12		
Foreign	0.00						
CUSTOMER SERVICES	3.02	1.99	0.01			0.02	1.00
Category 1 (Business Office)	2.36	1.61				0.02	0.72
Local Business Office	2.07	1.61					0.45
Service Order Processing	1.15	1.01					0.14
Payment & Collection	0.49	0.29					0.20
Inquiry	0.49	0.31					0.18
Interexchange Carrier Office	0.27						0.27
Service Order Processing	0.18						0.18
Payment & Collection	0.03						0.03
Inquiry	0.03						0.03
Coin Collection and Administration	0.02					0.02	
Category 2 (Revenue Accounting)	0.50	0.37					0.13
Message Processing	0.03		0.01				0.03
Toll Ticket	0.02						0.02
Local Message	0.01		0.01				-
Other Billing & Collecting	0.44	0.37					0.06
MTS-Toll	0.06						0.06
Exchange, Semi, & DA	0.08	0.07					
Private Line	0.00						0.00
End User CL	0.01	0.01					
Local	0.28	0.28					
Carrier Access Billing	0.03						0.03
Category 3 (Other Customer Svcs)	0.16						0.16

Corporate Operations Expense Adjustments

	1993	1994	1995	1996	1997
Ameritech					
Total Corporate Operations	934,644	1,478,940	878,030	1,015,238	1,065,948
Total One-Time Charges	0	666,700	(225,700)	0	0
Corp. Operations Less Charges	934,644	812,240	1,103,730	1,015,238	1,065,948
Bell Atlantic					
Total Corporate Operations	1,101,639	997,129	1,208,897	1,362,897	1,175,389
Total One-Time Charges	0	146,000	0	0	88,000
Corp. Operations Less Charges	1,101,639	851,129	1,208,897	1,362,897	1,087,389
Nynex					
Total Network Expenses	1,337,919	2,091,638	1,763,288	1,446,642	1,545,479
Total One-Time Charges	0	984,500	780,600	314,000	802,000
Corp. Operations Less Charges	1,337,919	1,107,138	982,688	1,132,642	743,479
BellSouth Telecommunications					
Total Corporate Operations	1,100,694	1,141,786	1,441,926	1,461,133	1,266,316
Total One-Time Charges	38,000	304,000	495,000	527,500	414,500
Corp. Operations Less Charges	1,062,694	837,786	946,926	933,633	851,816
Pacific Bell					
Total Corporate Operations	1,099,739	915,217	1,216,880	1,027,485	1,262,999
Total One-Time Charges	590,000	226,000	436,000	280,000	668,000
Corp. Operations Less Charges	509,739	689,217	780,880	747,485	594,999
Southwestern Bell					
Total Corporate Operations	929,866	688,729	774,522	775,982	829,181
Total One-Time Charges	168,000	0	93,000	0	0
Corp. Operations Less Charges	761,866	688,729	681,522	775,982	829,181
US West					
Total Corporate Operations	1,132,189	1,141,755	1,105,602	1,209,375	1,343,914
Total One-Time Charges	0	98,000	186,000	135,000	101,000
Corp. Operations Less Charges	1,132,189	1,043,755	919,602	1,074,375	1,242,914
GTE					
Total Corporate Operations	1,098,483	1,159,258	1,357,238	1,170,875	975,167
Total One-Time Charges	0	350,500	500,000	577,700	200,200
Corp. Operations Less Charges	1,098,483	808,758	857,238	593,175	774,967

Network Expense Adjustments

	1993	1994	1995	1996	1997
Ameritech					
Total Network Expenses	664,180	693,225	669,884	630,066	646,446
Total One-Time Charges	0	0	0	0	0
Network Expenses less Charges	664,180	693,225	669,884	630,066	646,446
Bell Atlantic					
Total Network Expenses	719,418	716,098	711,182	743,321	765,035
Total One-Time Charges	0	0	0	0	0
Network Expenses less Charges	719,418	716,098	711,182	743,321	765,035
Nynex					
Total Network Expenses	824,694	879,277	895,566	883,411	946,847
Total One-Time Charges	0	0	0	0	0
Network Expenses less Charges	824,694	879,277	895,566	883,411	946,847
BellSouth Telecommunications					
Total Network Expenses	951,697	948,554	949,922	893,316	894,220
One-Time Charges-Consolidations	15,000	165,000	231,000	0	0
Network Expenses less Charges	936,697	783,554	718,922	893,316	894,220
Pacific Bell					
Total Network Expenses	816,506	702,099	656,605	624,422	707,086
One-Time Charges-Consolidations	0	12,000	28,000	9,000	2,000
Network Expenses less Charges	816,506	690,099	628,605	615,422	705,086
Southwestern Bell					
Total Network Expenses	528,285	568,602	580,482	610,440	713,144
Total One-Time Charges	0	0	0	0	0
Network Expenses less Charges	528,285	568,602	580,482	610,440	713,144
US West					
Total Network Expenses	612,048	693,081	738,881	676,640	604,730
One-Time Systems Development	0	118,000	129,000	91,000	22,000
Network Expenses less Charges	612,048	575,081	609,881	585,640	582,730
GTE					
Total Network Expenses	631,265	609,641	613,111	577,304	565,564
One-Time Systems Development	0	0	0	0	0
Network Expenses less Charges	631,265	609,641	613,111	577,304	565,564

Ameritech - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Non-Management Workforce Restructuring Expense (Credit)			($225.7)	$666.7	
Subtotals					
Total One Time Adjustments	0.0	0.0	($225.7)	$666.7	$0.0
Total One Time Adjustments per Line			($12.36)	$37.86	

Illinois Bell - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Non-Management Workforce Restructuring Expense (Credit)			($57.1)	$196.5	
Subtotals					
Total One Time Adjustments	0.0	0.0	($57.1)	$196.5	$0.0
Total One Time Adjustments per Line			($9.51)	$33.91	

Indiana Bell - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Non-Management Workforce Restructuring Expense (Credit)			($36.9)	$93.5	
Subtotals					
Total One Time Adjustments	0.0	0.0	($36.9)	$93.5	$0.0
Total One Time Adjustments per Line			($19.17)	$50.49	

Michigan Bell - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Non-Management Workforce Restructuring Expense (Credit)			($64.9)	$174.4	
Subtotals					
Total One Time Adjustments	0.0	0.0	($64.9)	$174.4	$0.0
Total One Time Adjustments per Line			($13.66)	$38.10	

Ohio Bell - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Non-Management Workforce Restructuring Expense (Credit)			($42.7)	$130.5	
Subtotals					
Total One Time Adjustments	0.0	0.0	($42.7)	$130.5	$0.0
Total One Time Adjustments per Line			($11.84)	$37.40	

Wisconsin Bell - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Non-Management Workforce Restructuring Expense (Credit)			($24.1)	$71.8	
Subtotals					
Total One Time Adjustments	0.0	0.0	($24.1)	$71.8	$0.0
Total One Time Adjustments per Line			($12.20)	$37.83	

Bell Atlantic - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Merger Costs General	$19.5				
Merger Costs - Employee Separation	$68.5				
Other Employee Separation				$146.0	
Subtotals					
Total One Time Adjustments	88.0	0.0	$0.0	146.0	$0.0
Total One Time Adjustments per Line	$4.22	$0.00	$0.00	$7.94	
ARMIS 4302					
Deferred Credit B-13					
Workforce Restructuring	15.688	$41.7	$14.9	$133.2	

Bell of PA - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Merger Costs General	$6.0				
Merger Costs - Employee Separation	$19.0				
Other Employee Separation				$37.1	
Subtotals					
Total One Time Adjustments	25.0	0.0	$0.0	37.1	$0.0
Total One Time Adjustments per Line			$0.00	$6.85	
ARMIS 4302					
Deferred Credit B-13					
Workforce Restructuring	9.22	$10.9	$1.3	$39.1	

Delaware - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Merger Costs General	$0.5				
Merger Costs - Employee Separation	$1.2				
Other Employee Separation				$3.0	
Subtotals					
Total One Time Adjustments	1.7	0.0	$0.0	3.0	$0.0
Total One Time Adjustments per Line	$3.28	$0.00	$0.00	$6.62	
ARMIS 4302					
Deferred Credit B-13					
Workforce Restructuring			$0.3	$2.4	

New Jersey Bell - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Merger Costs General	$4.0				
Merger Costs - Employee Separation	$18.0				
Other Employee Separation				$44.9	
Subtotals					
Total One Time Adjustments	22.0	0.0	$0.0	44.9	$0.0
Total One Time Adjustments per Line			$0.00	$8.76	
ARMIS 4302					
Deferred Credit B-13					
Workforce Restructuring	5.118	$20.1	$4.7	$37.1	

CP of DC - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Merger Costs General	$1.0				
Merger Costs - Employee Separation	$3.4				
Other Employee Separation				$1.9	
Subtotals					
Total One Time Adjustments	4.4	0.0	$0.0	1.9	$0.0
Total One Time Adjustments per Line	$4.70	$0.00	$0.00	$2.34	
ARMIS 4302					
Deferred Credit B-13					
Workforce Restructuring		1.737	$1.5	$6.3	

CP of MD - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Merger Costs General	$3.0				
Merger Costs - Employee Separation	$12.0				
Other Employee Separation				$26.5	
Subtotals					
Total One Time Adjustments	15.0	0.0	$0.0	26.5	$0.0
Total One Time Adjustments per Line	$4.35	$0.00	$0.00	$8.77	
ARMIS 4302					
Deferred Credit B-13					
Workforce Restructuring		$4.7	$4.5	$21.8	

CP of VA - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Merger Costs General	$4.0				
Merger Costs - Employee Se	$11.0				
Other Employee Separation				$24.0	
Subtotals					
Total One Time Adjustments	15.0	0.0	$0.0	24.0	$0.0
Total One Time Adjustments per Line			$0.00	$8.49	
ARMIS 4302					
Deferred Credit B-13					
Workforce Restructuring		$4.3	$2.3	$19.6	

CP of W. Virginia - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Merger Costs General	$1.0				
Merger Costs - Employee Separation	$3.9				
Other Employee Separation				$8.6	
Subtotals					
Total One Time Adjustments	4.9	0.0	$0.0	8.6	$0.0
Total One Time Adjustments per Line	$6.30	$0.00	$0.00	$12.10	
ARMIS 4302					
Deferred Credit B-13					
Workforce Restructuring	1.35		$0.3	$7.0	

BellSouth - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Force Reductions					
Set up in 1993 for Force Reductions -					
Cash Outlay			$648.0	$390.0	$53.0
Noncash outlay - Pension Funds			$78.0	$79.0	$0.0
Total Charges against Reserves '97 View			$726.0	$469.0	$53.0
1993 $1,248M restructure, originally $1,136M					
Consolidate/Eliminate Operations			$231.0	$165.0	$15.0
Systems			$244.0	$170.0	$0.0
Employee Separation			$251.0	$134.0	$38.0
Total			$726.0	$469.0	$53.0
** Minus Consolidate/Eliminate Operations			$495.0	$304.0	$38.0
1995 workforce reductions thru '97 - $942M					
Estimated on 11,600 Emp. Reduction	414.5	527.5			
Subtotals					
Total One Time Adjustments	414.5	527.5	$495.0	$304.0	$38.0
Total One Time Adjustments per Line	$18.64	$24.94	$24.56	$15.78	$2.06
Network Operations					
Consolidate/Eliminate Operations			$231.0	$165.0	$15.0
ARMIS 4302					
Deferred Credit B-13					
Resructuring Accrural	113.9	$84.9	$528.5	$0.0	$570.0

NYNEX - Corporate Operations Expense

Source: SEC 10K and 10Q Reports

	1997	1996	1995	1994	1993
Retirement Incentives - Pension Enhancements					
Set up in 1993 for Force Reductions	$323.0	$196.1	$359.8	$578.0	$0.0
Other Retirement Incentives	$141.9	$23.9	$118.8	$93.5	$0.0
Severance Portion recognized in 97 from other Retirement Incentives - 87.4 M related to merger	$90.0				
Merger Related Costs:					
Transition/Integration Costs	$39.0				
Direct Incremental Costs	$17.0				
Consolidating Operations/Organizations	$333.0				
Process Reengineering Costs - Set up in 1993:					
System Redesign - Customer Contact/Operations		$76.0	$110.0	$0.0	
Work Center Consolidation		$3.0	$41.0	$11.0	
Branding		$0.0	$6.0	$27.0	
Implementation/Training		$3.0	$2.0	$1.0	
Restructuring Costs for Telesector Resources:					
Sevrance			$0.0	$115.0	
Postretirement Medical Costs			$0.0	$50.0	
System Reengineering			$109.0	$74.0	
Reengineering implementation			$25.0	$35.0	

No Y2K Costs prior to 1997.

Subtotals					
Retirement Incentive Costs	$413.0	$220.0	$478.6	$671.5	$0.0
Reengineering/Restructuring Costs	$0.0	$87.0	$293.0	$313.0	$0.0
Merger/Consolidation/Other Contingencies	$389.0	$0.0	$0.0	$0.0	$0.0
Total One Time Adjustments	$802.0	$307.0	$771.6	$984.5	$0.0
Total One Time Adjustments per Line	$44.61	$17.78	$46.41	$61.31	$0.00

ARMIS 4302 - Schedule B13

Restructuring Costs	$79.7	$118.3	$633.3	$611.4	$508.7

New York Telephone - Corporate Operation Expense Adjustments

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Retirement Incentives - Pension Enhancements					
Set up in 1993 for Force Reductions	$175.5	$73.4	$221.5	$446.0	
Other Retirement Incentives	$87.4	$14.4	$82.5	$57.4	
Severance Portion recognized in 97 from other Retirement Incentives - 87.4 M related to merger	$57.0				
Merger Related Costs:					
Transition/Integration Costs	$25.0				
Direct Incremental Costs	$11.0				
Consolidating Operations/Organizations	$273.0				
Process Reengineering Costs - Set up in 1993:					
System Redesign - Customer Contact/Operations		$64.0	$68.0		
Work Center Consolidation		$3.0	$35.0	$10.0	
Branding			$4.0	$15.0	
Implementation/Training		$3.0	$2.0	$1.0	
Restructuring Costs for Telesector Resources:					
Sevrance				$71.0	
Postretirement Medical Costs				$31.0	
System Reengineering		$5.0	$68.0	$45.0	
Reengineering implementation			$14.0	$21.0	

No Y2K Costs prior to 1997.

Subtotals	1997	1996	1995	1994	1993
Retirement Incentive Costs	$232.5	$87.8	$304.0	$503.4	$0.0
Reengineering/Restructuring Costs	$0.0	$75.0	$191.0	$194.0	$0.0
Merger/Consolidation/Other Contingencies	$309.0	$0.0	$0.0	$0.0	$0.0
Total One Time Adjustments	$541.5	$162.8	$495.0	$697.4	$0.0
Total One Time Adjustments per Line	$47.71	$14.91	$47.11	$68.59	$0.00

ARMIS 4302 - Schedule B13

	1997	1996	1995	1994	1993
Restructuring Costs	57.1	44.3	494.4	441.2	508.7

New England Telephone - Corporate Operations Expense

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Retirement Incentives - Pension Enhancements					
Set up in 1993 for Force Reductions	$147.5	$122.7	$138.3	$132.0	
Other Retirement Incentives	$54.5	$9.5	$36.3	$36.1	
Severance Portion recognized in 97 from other Retirement Incentives - 87.4 M related to merger	$33.0				
Merger Related Costs:					
Transition/Integration Costs	$14.0				
Direct Incremental Costs	$6.0				
Consolidating Operations/Organizations	$60.0				
Process Reengineering Costs - Set up in 1993:					
System Redesign - Customer Contact/Operations		$12.0	$42.0		
Work Center Consolidation			$6.0	$1.0	
Branding			$2.0	$12.0	
Implementation/Training		$0.0	$0.0	$0.0	
Restructuring Costs for Telesector Resources:					
Sevrance				$44.0	
Postretirement Medical Costs				$19.0	
System Reengineering			$41.0	$29.0	
Reengineering implementation			$11.0	$14.0	
No Y2K Costs prior to 1997.					
Subtotals					
Retirement Incentive Costs	$180.5	$132.2	$174.6	$168.1	$0.0
Reengineering/Restructuring Costs	$0.0	$12.0	$102.0	$119.0	$0.0
Merger/Consolidation/Other Contingencies	$80.0	$0.0	$0.0	$0.0	$0.0
Total One Time Adjustments	$260.5	$144.2	$276.6	$287.1	$0.0
Total One Time Adjustments per Line	$39.30	$22.70	$45.23	$48.75	$0.00
ARMIS 4302 - Schedule B13					
Restructuring Costs	$22.6	$74.0	$138.9	$170.2	$0.0

Pacific Bell - Corporate Operations Expense

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Force Reductions					
Set up in 1993 for Force Reductions - Reserves		$93.0	$219.0	$819.0	$1,097.0
Cash Outlay		$190.0	$381.0	$216.0	
Noncash outlay - Pension Funds		($64.0)	$219.0	$62.0	
Total Charges against Reserves '97 View	$93.0	$126.0	$600.0	$278.0	
1993 Projection of $977M restructure					
Severance	$115.0	$174.0	$241.0	$120.0	
Info System Reengineering	$38.0	$97.0	$167.0	$94.0	
*** Consolid. facilities	$2.0	$9.0	$28.0	$12.0	
Total Projected	$155.0	$280.0	$436.0	$226.0	
Minus Consolidated Facilities	$153.0	$271.0	$408.0	$214.0	
1993 Charge for Force Restructure					$977.0
1993 Charge to Accelerate Post Retirement Ben.					$590.0
					$1,687.0
Strategic Initiatives: Merger/Integration Costs/ Operational Reviews/Number Portability					
Merger Approval - Regulatory Rulings	$107.0				
Reorganization Initiatives	$154.0				
Other Merger Expenses	$252.0				
Subtotals					
Force Reductions	$153.0	$271.0	$408.0	$214.0	$0.0
Merger/Consolidation/Other Contingencies	$513.0	$0.0	$0.0	$0.0	$590.0
Total One Time Adjustments	$666.0	$271.0	$408.0	$214.0	$590.0
Total One Time Adjustments per Line	$39.5	$17.1	$26.5	$14.3	$41.0
Network Operations					
*** Consolidated facilities	$2.0	$9.0	$28.0	$12.0	
ARMIS 4302					
Deferred Credit B-13					
Merger Related	$325.2				
LT - Force Restructuring Liability		$158.0	$351.0	$570.5	$1,503.0
Earthquake Repairs		$2.0			
Deferred Charges B-9					
Additional minimum Pension Liability	$45.5	$0.9	$0.9	$1.5	
Deferred Capital - Restructuring Reserve	$19.1	$29.3	$35.1	$70.8	$82.0
Deferred Earthquake Expenses			$1.5	$5.3	$3.9

Southwestern Bell - Corporation Operations Expense

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Strategic Initiatives: Merger/Integration Costs/ Number Portability					
Cost of Services and Products	$149.0				
SG&A related	$209.0				
Strategic Realignment of functions - SG&A			$93.0		
Operational Restructuring - Mostly Severance					$58.0
Increase in Post Retirement Benefits					$110.0
Subtotals					
Force Reductions			$93.0		$168.0
Merger/Consolidation/Other Contingencies	$358.0	$0.0	$0.0	$0.0	$0.0
Total One Time Adjustments	0 *	$0.0	$93.0	$0.0	$168.0
Total One Time Adjustments per Line	$0.00	$0.00	$6.83	$0.00	$13.23

* Doesn't seem that initiatives are just for current period or even allowable under Regulatory like portability.

US WEST - Corporate Operations Adjustment

	1997	1996	1995	1994	1993

Source: SEC 10K and 10Q Reports

	1997	1996	1995	1994	1993
Force Reductions					
1993 $880M restructure					
Employee Separation	$86.0	$102.0	$76.0	$19.0	
Systems Development *	$22.0	$91.0	$129.0	$118.0	
Real Estate	$6.0	$8.0	$66.0	$50.0	
Relocation		$5.0	$21.0	$21.0	
Retraining	$9.0	$20.0	$23.0	$8.0	
Total	$123.0	$226.0	$315.0	$216.0	
** Minus Systems Development	$101.0	$135.0	$186.0	$98.0	

Systems Development: ($360M)
Svc Deliver $84M, Svc Assurance $60M,
Capacity Provis ($184), Other ($32M)

Subtotals	1997	1996	1995	1994	1993
Total One Time Adjustments	101.0	135.0	186.0	98.0	
Total One Time Adjustments per Line	$6.43	$9.06	$13.01	$7.10	$0.00

Network Operations

	1997	1996	1995	1994	1993
Systems Development *	$22.0	$91.0	$129.0	$118.0	

ARMIS 4302

	1997	1996	1995	1994	1993
Deferred Credit B-13					
Reengineering Reserve				$346.9	

GTE Total - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Restructure Costs - $1,178.6 M set up in '93	$200.2	$577.7	$500.0	$350.5	
Subtotals					
Total One Time Adjustments	200.2	577.7	500.0	350.5	0.0
Total One Time Adjustments per Line	$12.01	$36.19	$33.90	$25.39	$0.00
ARMIS 4302					
Deferred Credit B-13					
Reengineering Reserve			$228.1		$629.9

GTE of CA - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Restructure Costs - $494.2 M set up in '93	$54.9	$170.0	$129.2	$140.1	
Subtotals					
Total One Time Adjustments	54.9	170.0	129.2	140.1	0.0
Total One Time Adjustments per Line	$12.71	$40.25	$35.71	$39.80	$0.00
ARMIS 4302					
Deferred Credit B-13					
Reengineering Reserve			$80.1		$250.7

GTE of FL - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Restructure Costs - $194.3 M set up in '93	$22.4	$79.5	$48.9	$43.5	
Subtotals					
Total One Time Adjustments	22.4	79.5	48.9	43.5	0.0
Total One Time Adjustments per Line	$10.38	$39.07	$25.18	$23.40	$0.00
ARMIS 4302					
Deferred Credit B-13					
Reengineering Reserve			$30.8		$106.2

GTE of Hawaii - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Restructure Costs - $78.0 M set up in '93	$11.5	$27.8	$21.5	$17.5	
Subtotals					
Total One Time Adjustments	11.5	27.8	21.5	17.5	0.0
Total One Time Adjustments per Line	$16.43	$40.88	$32.58	$27.30	$0.00
ARMIS 4302					
Deferred Credit B-13					
Reengineering Reserve			$15.4		$44.5

GTE of the North - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Restructure Costs - $374.6 M set up in '93	$46.8	$143.5	$137.6	$46.7	
Subtotals					
Total One Time Adjustments	46.8	143.5	137.6	46.7	0.0
Total One Time Adjustments per Line	$10.90	$34.74	$34.50	$12.12	$0.00
ARMIS 4302					
Deferred Credit B-13					
Reengineering Reserve			$28.6		

GTE of Northwest - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Restructure Costs - $125.0 M set up in '93	$15.8	$48.5	$35.2	$25.5	
Subtotals					
Total One Time Adjustments	15.8	48.5	35.2	25.5	0.0
Total One Time Adjustments per Line	$11.52	$37.68	$28.95	$21.91	$0.00
ARMIS 4302					
Deferred Credit B-13					
Reengineering Reserve			$22.8		$70.6

GTE of South - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Restructure Costs - $163.0 M set up in '9	$21.9	$52.4	$53.7	$35.0	
Subtotals					
Total One Time Adjustments	21.9	52.4	53.7	35.0	0.0
Total One Time Adjustments per Line	$12.44	$31.57	$33.79	$28.93	$0.00
ARMIS 4302					
Deferred Credit B-13					
Reengineering Reserve			$25.6		$60.1

GTE of Southwest - Corporate Operations Adjustment

	1997	1996	1995	1994	1993
Source: SEC 10K and 10Q Reports					
Restructure Costs - $172.0 M set up in '93	$26.9	$56.0	$73.9	$42.2	
Subtotals					
Total One Time Adjustments	26.9	56.0	73.9	42.2	0.0
Total One Time Adjustments per Line	$13.03	$28.81	$42.57	$27.16	$0.00
ARMIS 4302					
Deferred Credit B-13					
Reengineering Reserve			$24.8		$97.8

New York Telephone - 1997 10K Excerpted

BELL ATLANTIC - NYNEX MERGER

On August 14, 1997, Bell Atlantic and NYNEX consummated a merger whereby NYNEX became a subsidiary of Bell Atlantic and NYNEX shareowners received 0.768 of a share of Bell Atlantic common stock for each share of NYNEX common stock owned. Bell Atlantic owns nine subsidiaries which provide domestic telecommunications services (collectively, the "telephone subsidiaries").

In 1997, the Company recognized merger-related costs of approximately $124 million, consisting of $11 million of direct incremental costs and $88 million for employee severance costs and $25 million for transition and integration costs. These costs include approximately $59 million representing the Company's allocated share of merger-related costs from Telesector Resources Group, Inc., an affiliate which provides centralized services on a contract basis.

RESULTS OF OPERATIONS
- ---------------------

Merger-Related Costs

Results of operations for 1997 include merger-related pre-tax costs totaling approximately $124 million, consisting of $11 million for direct incremental costs, $88 million for employee severance costs, and $25 million for transition and integration costs. These costs include approximately $59 million representing the Company's allocated share of merger-related costs from Telesector Resources Group, Inc. (Telesector Resources), an affiliate which provides centralized services on a contract basis. Costs allocated from Telesector Resources are included in Other Operating Expenses.

Direct incremental costs consist of expenses associated with compensation arrangements related to completing the merger transaction. Employee severance costs represent the Company's proportionate share of benefit costs for the separation by the end of 1999 of management employees who are entitled to benefits under pre-existing Bell Atlantic separation pay plans. Transition and integration costs consist of the Company's proportionate share of costs associated with integrating the operations of Bell Atlantic and NYNEX.

Other Charges and Special Items

In 1997, the Company recorded pre-tax charges of approximately $273 million in connection with consolidating operations and combining organizations and for special items arising in the period. These charges include approximately $8 million representing the Company's allocated share of charges from Telesector Resources.

The Company also incurred costs associated with its retirement incentive program totaling $262.9 million in 1997, compared to $87.8 million in 1996.

The retirement incentive costs for 1997 and 1996 include amounts charged to the Company by Telesector Resources for an allocated portion of the employees who left Telesector Resources under the retirement incentive program. In 1997,

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the retirement incentive costs allocated to the Company by Telesector Resources were $87.4 million, compared to $14.4 million in 1996.

OPERATING EXPENSES
- ------------------

(Dollars in Millions)

For the Years Ended December 31	1997	1996	% Change
Employee costs, including benefits and taxes..	$2,435.6	$2,242.0	8.6%
Depreciation and amortization.................	1,446.0	1,326.2	9.0
Taxes other than income.......................	679.6	668.4	1.7
Other operating expenses......................	2,443.0	2,305.6	6.0
Total...	$7,004.2	$6,542.2	7.1

EMPLOYEE COSTS

	Increase	
1997 - 1996	$193.6	8.6%

Employee costs consist of salaries, wages and other employee compensation, employee benefits and payroll taxes paid directly by the Company. Similar costs incurred by employees of Telesector Resources, who provide centralized services on a contract basis, are allocated to the Company and are included in Other Operating Expenses.

Employee costs increased principally as a result of higher costs associated with the Company's retirement incentive program. Costs associated with Telesector Resources' retirement incentive program were allocated to the Company and are included in Other Operating Expenses. For a further discussion of retirement incentives, see below.

Employee costs were also higher as a result of annual salary and wage increases, the effect of increased work force levels attributable to higher business volumes, and merger-related costs recorded in the third quarter of 1997. The Company recognized approximately $57 million in benefit costs for the separation by the end of 1999 of management employees who are entitled to benefits under pre-existing Bell Atlantic separation pay plans. The Company also recorded approximately $2 million of direct incremental merger-related costs associated with compensation arrangements. Merger-related costs associated with employees of Telesector Resources were allocated to the Company and are included in Other Operating Expenses.

These expense increases were partially offset by a reduction in benefit costs caused by a number of factors, including changes in actuarial assumptions, favorable returns on plan assets, lower than expected medical claims and plan amendments including the conversion of a pension plan to a cash balance plan. Lower overtime pay for repair and maintenance activity also reduced employee costs in 1997. This decline was due to the impact of severe weather experienced in the first quarter of 1996 which caused a higher level of costs to be expensed during that period, and due to improvement in the service delivery program.

Retirement Incentives

The Company had previously disclosed that it expected the total number of employees who would elect to leave under the current retirement incentive program through its completion in 1998 to be in the range of 11,800 to 12,400, consisting of approximately 5,500 management and 6,300 to 6,900 associate employees. The total number of employees includes the Company's allocated portion of employees of Telesector Resources. The Company had accrued $630.9 million of pre-tax charges in 1993 for severance and postretirement medical benefits under a force reduction plan.

As of December 31, 1997, 10,962 employees (5,475 management and 5,487 associates) had elected to leave under the program, and additional charges of $1,178.1 million ($765.7 million after-tax) had been recorded in connection with the retirement incentive program. The management portion of the program was completed as of March 31, 1997.

Based on the experience of employee take rates under the program and management's most recent assessment of work volume and productivity trends, Bell Atlantic is currently considering and discussing with the unions possible changes in the program for associate employees. Bell Atlantic now expects that, if the program is fully implemented, the total number of employees electing to leave under the program, and the associated additional charges, would be substantially greater than previously estimated.

As of December 31, 1997, the remaining reserves associated with the 1993 restructuring plan were approximately $34 million for employee severance and $47 million for postretirement medical benefits. See Note 11 to the consolidated financial statements for additional information on retirement incentives.

OTHER OPERATING EXPENSES

	Increase	
1997 - 1996	$137.4	6.0%

Other operating expenses consist of contract services including centralized services expenses allocated from Telesector Resources, rent, network software costs, the provision for uncollectible accounts receivable, and other costs.

The increase in other operating expenses was attributable to higher interconnection charges for terminating calls on the networks of competitive local exchange carriers, higher costs resulting from increased network software upgrades and higher centralized services expenses allocated from Telesector Resources. The rise in centralized services expenses was primarily due to the recognition of Telesector Resources' allocated portion of retirement incentive costs, merger-related costs and other special items. Also contributing to the increase in other operating expenses, but to a lesser extent, were transition and integration costs, costs to consolidate certain redundant real estate properties, charges for regulatory, legal and other contingencies, and other miscellaneous expense items incurred by the Company in 1997.

These increases were partially offset by the impact of accrual reversals associated with the resolution of certain regulatory and tax contingencies. Charges associated with these contingencies were recorded in Other Operating Expenses in prior periods, while the actual settlements were recorded in Local Service Revenues, Taxes Other Than Income, and Interest Expense in 1997. The effect of other legal and regulatory contingencies recorded in 1996 further offset the increases in Other Operating Expenses.

New York Telephone Company

CONSOLIDATED STATEMENTS OF INCOME AND REINVESTED EARNINGS (ACCUMULATED DEFICIT)
For the Years Ended December 31
(Dollars in Millions)

<TABLE>
<CAPTION>

	1997	1996	1995
<S>	<C>	<C>	<C>
OPERATING REVENUES (including $224.3, $233.8, and $212.5 from affiliates)	$7,957.3	$ 8,022.6	$ 7,937.1
OPERATING EXPENSES			
Employee costs, including benefits and taxes	2,435.6	2,242.0	2,431.0
Depreciation and amortization	1,446.0	1,326.2	1,392.5
Taxes other than income	679.6	668.4	798.8
Other (including $1,427.1, $1,278.4, and $1,265.2 to affiliates)	2,443.0	2,305.6	2,286.5
	7,004.2	6,542.2	6,908.8
OPERATING INCOME	953.1	1,480.4	1,028.3
OTHER INCOME, NET (including $36.5, $18.8, and $22.2 from affiliates)	16.6	23.7	48.5
INTEREST EXPENSE (including $46.2, $25.2, and $16.8 to affiliate)	332.1	288.5	306.8
Income Before Provision for Income Taxes, Extraordinary Item, and Cumulative Effect of Change in Accounting Principle	637.6	1,215.6	770.0
PROVISION FOR INCOME TAXES	207.6	402.5	241.8
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	430.0	813.1	528.2
EXTRAORDINARY ITEM			
Discontinuation of Regulatory Accounting Principles, Net of Tax	---	---	(2,291.6)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE			
Directory Publishing, Net of Tax	---	55.7	---
NET INCOME (LOSS)	$ 430.0	$ 868.8	$(1,763.4)

Merger-Related Costs

Results of operations for 1997 include merger-related pre-tax costs of approximately $11 million for direct incremental costs and $88 million for employee severance costs. These costs include approximately $39 million representing the Company's allocated share of merger-related costs from Telesector Resources, an affiliate which provides centralized services on a contract basis. Costs allocated from Telesector Resources are included in Other Operating Expenses.

Direct incremental costs consist of expenses associated with compensation arrangements related to completing the merger transaction. Employee severance costs, as recorded under SFAS No. 112, "Employers' Accounting for Postemployment Benefits", represent the Company's proportionate share of benefit costs for the separation by the end of 1999 of management employees who are entitled to benefits under pre-existing Bell Atlantic separation pay plans.

Retirement Incentives

In 1993, the Company announced a restructuring plan which included an accrual of $630.9 million (pre-tax) for severance and postretirement medical benefits under a force reduction plan, of which $74.1 million was the Company's allocated portion of Telesector Resources' costs for its force reduction plan. Beginning in 1994, retirement incentives have been offered as a voluntary means of implementing substantially all of the work force reductions planned in 1993.

Since the inception of the retirement incentive program, additional costs totaled $1,178.1 million (pre-tax) as of December 31, 1997. These costs include amounts associated with employees paid directly by the Company and the Company's allocated portion of amounts associated with employees of Telesector Resources. Costs associated with employees of the Company are comprised of $175.5 million in 1997, $73.4 million in 1996, $221.5 million in 1995 and $466.0 million in 1994 and are reported in Employee Costs. Costs associated with the Company's allocated portion of costs are comprised of $87.4 million in 1997, $14.4 million in 1996, $82.5 million in 1995 and $57.4 million in 1994 and are reported in Other Operating Expenses. The costs associated with employees paid by the Company include the pension and postretirement benefit amounts discussed above, as well as vacation pay costs and other items. As described above, the retirement incentive costs have been reduced by severance and postretirement medical benefits reserves established in 1993 and transferred to the pension and postretirement benefits liabilities as employees accepted the retirement offer. As of December 31, 1997, the remaining reserves associated with the 1993 restructuring plan were approximately $34 million for employee severance and $47 million for postretirement medical benefits.

As of December 31, 1997, employees who have left the business under the retirement incentive program totaled 10,962, consisting of 5,475 management employees and 5,487 associate employees (including 2,433 management employees and 296 associate employees of Telesector Resources). The retirement incentive program covering management employees ended on March 31, 1997 and the program covering associate employees is scheduled to end in August 1998.

	Start of Period			Deductions	End of Period
Restructuring Reserves:					
Year 1997...............	$160.8	$ ---	$ ---	$ 80.2	$ 80.6
Year 1996...............	$336.5	$ ---	$ ---	$175.7	$160.8
Year 1995...............	$521.8	$ ---	$ ---	$185.3	$336.5

</TABLE>

Results of Operations

Net income for New York Telephone Company (the "Company") for the year ended December 31, 1996 was $830.0 million. Net loss for the same period of 1995 was $(1.8) billion.

Net income for the year ended December 31, 1996 includes an after-tax gain of $55.7 million for the cumulative effect of a change in accounting for directory publishing income (see Note C). Net income for the year ended December 31, 1996 also includes after-tax charges of $93.6 million for accruals related to various regulatory, and legal obligations and contingencies, and self-insurance programs. In addition, there were after-tax charges of $57.1 million for retirement incentives (see Business Restructuring). Net income for the same period of 1995 includes an extraordinary, after-tax charge of $2.3 billion for the discontinuance of regulatory accounting principles, after-tax charges of $197.6 million for retirement incentives, and after-tax charges of $160.6 million for accruals related to various operating tax provisions, regulatory obligations and contingencies, self-insurance programs, and revised benefit charges.

Excluding the above items, net income for the year ended December 31, 1996 would have been $925.0 million, an improvement of $66.3 million, or 7.7%, over adjusted net income for the same period of 1995.

Operating Expenses

Operating expenses for the year ended December 31, 1996 were $6.6 billion, a decrease of $359.3 million, or 5.2%, from the same period of 1995. Included in the operating expenses for the year ended December 31, 1996 were charges of $87.8 million for retirement incentives (see Business Restructuring), charges of $103.0 million related to regulatory contingencies and various self-insurance programs, and a $14.0 million intrastate gross receipts tax refund (see Operating Revenues). Included in operating expenses for the same period of 1995 were charges of $304.1 million for retirement incentives, charges of $232.0 million related to operating tax provisions, various self-insurance programs, regulatory contingencies, and revised benefit costs, a $15.1 million charge resulting from a court decision on overearnings complaints, and $14.0 million of gross receipts tax collected and remitted to the taxing authority (see Operating Revenues).

Excluding the items discussed above, operating expenses would have increased $29.1 million, or 0.5%, over adjusted operating expenses for 1995.

Employee related costs, which consist primarily of wages, payroll taxes, and employee benefits, increased $57.8 million over 1995 resulting primarily from the net of (i) a $93 million increase in wages primarily due to additional labor costs attributable to initiatives to improve service quality, partially offset by work force reductions attributable to the force reduction program and the transfer of employees to Telesector Resources Group, Inc.

("Telesector Resources") associated with re-engineering service delivery to customers (see Other operating expenses), and (ii) a $35 million net decrease in benefit expenses primarily due to a $22 million decrease attributable to a reduction in medical costs, a $12 million decrease resulting from the amortization of deferred pension costs pursuant to an NYSPSC approved plan in 1995, and a $6 million decrease attributable to the discontinuance of regulatory accounting principles, partially offset by a $5 million increase in pension expense attributable to changes in actuarial assumptions.

Other operating expenses, which consist primarily of contracted and centralized services, rent and other general and administrative costs, increased $62.2 million over 1995 resulting primarily from the net of (i) a $50 million increase in charges from affiliated companies, primarily attributable to increases in Telesector Resources' contracted and centralized services due to process re-engineering costs not accrued for in the 1993 business restructuring reserves and costs to implement the competitive checklist provisions of the Telecommunications Act of 1996 (the "Act") (see Regulatory Environment - Federal), and the transfer of employees from the Company to Telesector Resources, partially offset by decreases due to Telesector Resources' force reduction program, a $22 million increase primarily attributable to lease buyouts, a $15 million increase in contracted and centralized services primarily due to the outsourcing of motor vehicle fleet maintenance, and a $12 million increase primarily due to lower capitalization of expenses as a result of the discontinuance of regulatory accounting principles, and (ii) a $17 million decrease in materials primarily attributable to favorable purchase pricing, a $9 million decrease in right to use fees resulting from modified deployment schedules, a $7 million decrease in land and buildings rent expense and a $5 million decrease in fixed rate uncollectible losses from billing and collection services performed under contract by the Company for AT&T Corp. ("AT&T").

Cumulative effect of change in accounting principle

Effective January 1, 1996, Information Resources changed the recognition of its directory publishing income from the "amortized" method to the "point of publication" method. Under the point of publication method, revenues and production expenses are recognized when the directories are published rather than over the lives of the directories

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(generally one year) as was the case under the amortized method. NYNEX Corporation ("NYNEX") and the Company believe the change to the point of publication method is preferable because it is the method that is generally followed by publishing companies and reflects more precisely the operations of the business. The Company's portion of the initial effect of the change to the point of publication method was reported as a cumulative effect of a change in accounting principle which resulted in a one-time, non-cash gain of $95.4 million ($55.7 million after-tax) in the first quarter of 1996. The application of the point of publication method for the year ended 1996 did not have a material effect on operating results, and would not have been material had it been applied in 1995.

Business Restructuring

The Company's 1993 results included pretax charges of approximately $992 million ($645 million after-tax) for business restructuring. Business restructuring resulted from a comprehensive analysis of the Company's operations and work processes, resulting in a strategy to redesign them to improve efficiency and customer service, to adjust quickly to accelerating change, to implement work force reductions, and to produce savings necessary for the Company to operate in an increasingly competitive environment.

The 1993 pretax charges were comprised of: $557 million for severance and postretirement medical costs to reduce the work force by 9,000 employees by the end of 1996; $208 million for process re-engineering costs, primarily for systems redesign and work center consolidation; and $227 million for the Company's allocated portion of Telesector Resources business restructuring charges.

Work Force Reductions: Additional Charges

During 1994, the Company announced retirement incentives to provide a voluntary means of implementing substantially all of the work force reductions planned in 1993. The retirement incentives were to be offered at different times through 1996 depending on local force requirements and were expected to incur additional charges

over that period of time as employees elected to leave the business through retirement incentives rather than through the severance provisions of the 1993 force reduction plan.

During 1995, it became evident that the number of management employees leaving under the retirement incentives would exceed the original estimate. It was also determined that, as a result of volume of business growth, the expected reduction in the number of associates (previously referred to as nonmanagement employees) would be less than anticipated and would not be fully achieved until 1998. In July 1996, the Company extended the period for offering retirement incentives to management employees to mid-1997 to better coordinate force sizing with process re-engineering implementation and service improvement initiatives. In late February 1997, the Company decided that the management retirement incentive plan will end in March 1997 when all managers will have received the offer at least once over the life of the plan.

At the present time, the Company expects the total number of employees (which excludes Telesector Resources) who will elect to take the retirement incentives to be in the range of 9,500 to 10,100, consisting of approximately 3,200 management and 6,300 to 6,900 associates, depending on work volumes, needs of the business and timing of the incentive offers.

The actual number of employees who elected to leave under retirement incentives in 1994, 1995 and 1996 are as follows:

	1994	1995	1996	Total
Management	1,100	740	470	2,310
Associates	2,600	1,180	430	4,210
Total	3,700	1,920	900	6,520

The actual additional charges for retirement incentives in 1996 and 1995 are as follows:
<CAPTION>

(In Millions)	1996 Pretax	1996 After-Tax	1995 Pretax	1995 After-Tax
<S>	<C>	<C>	<C>	<C>
Pension enhancements	$96.8	$ 62.9	$ 255.2	$ 165.9
Postretirement medical costs	(9.0)	(5.8)	48.9	31.7
Total*	$87.8	$ 57.1	$ 304.1	$ 197.6

</TABLE>

* For the year ended December 31, 1996 and 1995, $25.2 million and $64.6 million, respectively, ($16.4 million and $42.0 million, respectively, after-tax) were allocated to the Company from Telesector Resources for its pension enhancements and ($10.8) million and $17.9 million, respectively, ($(7.0) million and $11.6 million, respectively, after-tax) were allocated from Telesector Resources for its associated postretirement medical benefits.

The severance reserves established in 1993 have been and will continue to be transferred primarily to the pension liability on a per employee basis as employees accept the retirement incentives. The postretirement medical liability established in 1993 had been and will continue to be applied to retired employees on a per employee basis as employees accept the retirement incentives. Most of the cost of the retirement incentives is funded by NYNEX's pension plans.

Work Force Reductions: Reserve Utilization

The 1993 charges for work force reductions of $557 million ($362 million after-tax) were comprised of $287 million for employee severance payments (including salary, payroll taxes and outplacement costs) and $270 million for postretirement medical costs. These costs were for planned work force reductions of 1,500 management employees and 7,500 associates.

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The actual utilization of the 1993 severance reserves and the application of the 1993 postretirement medical liability in 1994, 1995 and 1996 are shown below:

(In Millions)	1994	1995	1996	Total	Total Remaining
Severance	$ 135	$41	$44	$220	$67
Postretirement medical costs	$ 82	$36	$61	$179	$91

The severance and postretirement medical amounts above include allocations of $18 and $26 million, respectively, in 1996, $8 and $4 million, respectively, in 1995 and $20 and $8 million, respectively, in 1994, which were transferred to Telesector Resources for employees who left Telesector Resources under the retirement incentives (217,150 and 395 employees in 1994, 1995 and 1996, respectively).

Assuming that employees will continue to leave under the retirement incentives, it is expected that the remaining $67 million of severance reserves will be utilized and the remaining $91 million of the postretirement medical liability will be applied in 1997 and 1998, as associates leave under the retirement incentives. The reserves for management employees were completely utilized during 1996.

Process Re-engineering Costs

Approximately $208 million of the 1993 charges ($135 million after-tax) consists of costs associated with re-engineering service delivery to customers, including operating the Company and New England Telephone and Telegraph Company ("New

England Telephone") (collectively, the "Telephone Companies") as a single enterprise under the "NYNEX" brand. During the period 1994 through 1996, NYNEX has been decentralizing the provision of residence and business customer service throughout the region, creating regional businesses to focus on unique markets, and centralizing numerous operations and support functions. The process re-engineering costs are incurred in connection with systems redesign, work center consolidation, branding, relocation, training and process re-engineering implementation. Process re-engineering costs which were not included in the 1993 charges have been expensed as incurred (see Operating Expenses).

Systems redesign is the cost of developing new systems, processes and procedures to facilitate implementation of process re-engineering initiatives in order to realize operational efficiencies and enable the Company to reduce work force levels. These projects consist of radical changes in the applications and systems supporting business functions to be redesigned as part of the restructuring plan. All of the costs associated with these projects are incremental to ongoing operations. Specifically, only software purchases and external contractor expenses, which are normally expensed in accordance with Company policy, were included in the 1993 restructuring charges. The business processes included in systems redesign are customer contact and customer operations.

Customer contact represents the direct interface with the customer to provide sales, billing inquiry and repair service scheduling on the first contact. Customer operations focuses on network monitoring and surveillance, trouble testing, dispatch control, and proactive repair, with reliability as a critical competitive advantage.

Work center consolidation costs are incremental costs associated with establishing work teams in fewer locations to take advantage of lower force levels and system efficiencies. These costs include moving costs, lease termination costs (from the date premises are vacated), and other consolidation costs. Branding includes the costs to develop a single "NYNEX" brand identity associated with restructured business operations. Relocation costs are costs incurred to move personnel to different locations resulting from work center consolidations. These costs are computed in accordance with the Company's relocation guidelines and the provisions of collective bargaining agreements. Training costs are for training associates on newly-designed, cross-functional job positions and re-engineered systems created as part of the restructuring plan, which will permit one employee to perform tasks formerly performed by several employees, and include tuition, out-of-pocket course development and administrative costs, facilities charges, and related travel and lodging. Re-engineering implementation costs are incremental costs to complete re-engineering initiatives.

Process Re-engineering: Reserve Utilization

At December 31, 1993, the process re-engineering costs were estimated for systems redesign, work center

consolidation, branding, relocation, training and re-engineering implementation. At December 31, 1996, the actual utilization of the reserves for process re-engineering costs are as follows:

(In Millions)	1994	1995	1996	Total
Systems redesign	$ -	$ 68	$ 64	$ 132
Work center consolidation	10	35	3	48
Branding	15	4	-	19
Relocation	-	-	-	-
Training	-	2	3	5
Re-engineering implementation	1	-	-	1
Total	$ 26	$ 109	$ 70	$ 205

At December 31, 1996, $3 million of reserves remained and will be utilized in 1997 for systems redesign.

Systems redesign: During 1994, it was determined that systems redesign would require a larger than anticipated upfront effort to fully integrate interfaces between various systems and permit development of multi-tasking capabilities. This higher degree of complexity and additional functionality required by real-time, interactive systems caused a delay in the implementation of the systems redesign. It was realized at this time that utilization of the process re-engineering reserves for systems redesign would be higher than originally estimated. During 1995, process re-engineering reserves were utilized for increased efforts due to the complexity and extensiveness of integration testing and quality assurance processes. During 1996, it was determined that although certain systems redesign goals had been accomplished, other goals would not be completed until mid-1997.

The actual utilization of the systems redesign reserves, by business process, are as follows:

(In Millions)	1994	1995	1996	Total
Customer contact	$ -	$ 49	$ 34	$ 83
Customer operations	-	19	30	49
Total	$ -	$ 68	$ 64	$ 132

The reserve utilization for work center consolidation was lower than the estimate due to an increase in the number of work centers from what was originally planned based on union agreements, the majority of which were completed in 1995. The reserve utilization for relocation of employees was lower than the estimate due to the increase in the number of work centers and terms of the union agreements resulting in less than anticipated employee relocations. Training was delayed in 1994 due to the timing of the union agreements and the higher degree of complexity of systems redesign. The utilization of reserves for training costs were reduced due to the predominant use of in-house, on-the-job and multi-media training. Reserve utilization for re-engineering implementation was combined with the related projects (i.e., systems redesign) and therefore did not require separate identification.

Costs Allocated From Telesector Resources

Approximately $227 million of restructuring charges ($148 million after-tax) was allocated to the Company from Telesector Resources, primarily related to Telesector Resources' work force reduction and re-engineering programs. The actual utilization of these reserves are as follows:

(In Millions)	1994	1995	1996	Total
Severance	$ 71*	$ -	$ -	$ 71
Postretirement medical costs	31	-	-	31
Systems re-engineering	45	68	5	118
Re-engineering implementation	21	14	-	35
Total	$ 168	$ 82	$ 5	$ 255

* 1994 includes $28 million of severance amounts associated with the balance of the 1991 restructuring reserve at December 31, 1993.

Unaddressed Issues

- Unsupported services
- Inefficiencies
- Application of forward-looking efficient principles

Definition of Local

- For USF, local needs to be narrowly defined
- In particular, costs of CLASS , vertical features, inside wire services, and other non-basic activities need to be eliminated
- SOP is substantially impacted by the high level of activity for 2nd lines and other non-basic local services

Next Steps

- A priori, 2 approaches to leveraging these analyses
  - Adjust the input data to the FCC regression and re-run
  - Overlay these outputs to the outputs of the FCC regression analyses
- Assess practicality of the first approach -- use second if answer is no

Corporate & Network Operations

- These adjustment are not developed at study area level
- Without telco assistance, conversion from FR to MR uncertain
- Overlay to regression results may be desired

Customer Operations

- Analysis conducted at study area level with MR data
- Easier option to adjust data prior to regressing